GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:146
ANSWERED ON:17.10.2008
SHARING OF SERVICE TAX BETWEEN CENTRE AND STATES
Ahir Shri Hansraj Gangaram

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has recently decided for sharing the revenue received from 33 services with the State Governments;

(b) if so, the details thereof;

(c) whether the negotiations have been held with the State Governments in this regard;and

(d) if so, the details thereof and agreement arrived at therefrom?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a)& (b): A consensus was arrived at between the Central and the State Governments through the Empowered Committee of State Finance Ministers, to phase out the Central Sales Tax (CST) over a period of 3 years beginning 01.04.2007, i.e. by 31.03.2010.The rate of CST was thereby agreed to be reduced by 1% each year w.e.f. 01.04.2007,when it was 4%.As one of the measures included in the extant consolidated guidelines for CST compensation to States/UTs for the resultant revenue loss during the period of transition, the Central Government has decided,inter alia,to utilize the revenue from 33 services of intra-State nature currently subject to service tax,for compensating those States which have suffered loss due to reduction of CST.

(c): Yes,Sir.

(d): As per the extant consolidated guidelines issued in this regard,the Central Government will continue to levy and collect service tax on the identified 33 services during the transition period,but the revenue will be transferred to the States/UTs concerned against cash compensation due,if any,after accounting for additional revenues to States/UTs accruing from VAT or Sales Tax on tobacco and abolition of Form-D.The transfer of such amount,if required,would be through the Central Government budget.This decision has already been implemented.